

Division of Securities
Utah Department of Commerce
160 East 300 South
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600
FAX: (801)530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**SEDONA OIL AND GAS CORPORATION;
KENNETH CRUMBLEY JR.;
BARRY SPRUIELL;
RON MEYER;
JOHN T. CRUMBLEY;**

Respondents.

ORDER TO SHOW CAUSE

Docket no. SD-05-0033
Docket no. SD-05-0034
Docket no. SD-05-0035
Docket no. SD-05-0036
Docket no. SD-05-0037

**TO: Sedona Oil & Gas Corp.
5646 Milton, Suite 221
Dallas, TX 75206**

**Kenneth Crumbley Jr.
5646 Milton, Suite 221
Dallas, TX 75206**

**Barry Spruiell
5646 Milton, Suite 221
Dallas, TX 75206**

Ron Meyer
5646 Milton, Suite 221
Dallas, TX 75206

John T. Crumbley
5646 Milton, Suite 221
Dallas, TX 75206

It appears to the Director of the Utah Division of Securities (Director) that the Sedona Oil & Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell, Ron Meyer and John T. Crumbley (collectively the Respondents) have engaged in acts and practices that violate the Utah Uniform Securities Act, Utah Code Ann. § 61-1-1, et seq. (the Act). Those acts are more fully described herein. Having reviewed the relevant facts discovered in the course of the Utah Division of Securities' (Division) investigation of this matter, the Director issues this Order to Show Cause in accordance with the provisions of § 61-1-20(1) of the Act.

STATEMENT OF JURISDICTION

1. Jurisdiction is appropriate in this matter because Respondents allegedly violated §§ 61-1-1 (Securities Fraud), § 61-1-7 (Sale of Unregistered Securities), and § 61-1-3 (Sale by Unlicensed Agent) of the Act while engaged in the offer and sale of securities in Utah.

STATEMENT OF FACTS

THE PARTIES

2. Sedona Oil & Gas Corporation (Sedona) is a Texas corporation with a last known business address of 5646 Milton Street, Suite 221, in Dallas, Texas. Sedona sponsors oil and gas production and drilling programs.

3. Kenneth W. Crumbley, Jr. (Crumbley Jr.) is the president of Sedona, with the same last known business address as Sedona.
4. Barry Spruiell (Spruiell) is an officer or director of Sedona, with the same last known business address as Sedona.
5. Ron Meyer (Meyer) is an officer or director of Sedona, with the same last known business address as Sedona.
6. John T. Crumbley (Crumbley) is an officer or director of Sedona, with the same last known business address as Sedona.

GENERAL ALLEGATIONS

7. In or around June 2004, Utah resident Tom Tuckett (Tuckett) received a cold call from John T. Crumbley, who solicited an investment in Sedona's Kansas Strike 3-D Project. Tuckett received a call from Crumbley every day thereafter for about six weeks regarding the investment.
8. Respondents provided Tuckett with offering materials including a private placement memorandum, a document titled "Economic Analysis & Tax Matter Kansas Strike 3-D Seismic Project", an operating agreement, and a subscription agreement.
9. The offering materials given to Tuckett state that Sedona was offering fifteen fractionalized interests in oil and gas leases at \$133,000 per interest, for an aggregate offering amount of \$1,995,000.

10. The fractionalized interests offered to Tuckett fall within the definition of a security under § 61-1-13 of the Act.
11. In connection with the offer and sale of the security to Tuckett, Respondents omitted the following material facts:
 - a. In September 2000, the Pennsylvania Securities Commission issued a Cease and Desist Order against Sedona, Crumbley Jr., Spruiell, and a Sedona sales agent, based on allegations of selling unregistered securities, and sale by an unlicensed agent.
 - b. In June 2001, the Wisconsin Division of Securities issued an Order of Prohibition against Sedona, Crumbley Jr., Spruiell, Crumbley, and a Sedona sales agent, based on allegations of selling unregistered securities, sale by an unlicensed agent, and employing an unlicensed agent.
12. On August 12, 2004, Tuckett invested \$8,312.50 in Sedona's Kansas Strike 3-D Seismic Project.
13. On September 30, 2004, the Division's Corporate Finance section received a letter from Sedona's attorney, Richard M. Hewitt, enclosing a Regulation D, Rule 506 filing for Sedona's Kansas Strike 3-D Seismic Project.
14. According to Rule 506 of the Securities Act of 1933, to qualify for an exemption, offers and sales of a security must satisfy all the terms and conditions of Rules 501 and 502. Rule 502(c) of the Securities Act states that "neither the issuer nor any person acting on

its behalf shall offer or sell the securities by any form of general solicitation or general advertising.”

15. Crumbley’s cold-call to Tuckett was a form of general solicitation or general advertising, and therefore disqualified Sedona from a registration exemption under Rule 506.

CAUSES OF ACTION

COUNT I

Securities Fraud under § 61-1-1 of the Act (Sedona Oil & Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell, Ron Meyer and John T. Crumbley)

16. The Division incorporates and re-alleges paragraphs 1 through 15.
17. The fractionalized interests the Respondents directly or indirectly offered to Tuckett fall within the definition of a security under § 61-1-13 of the Act.
18. Section 61-1-1 of the Act states:

It is unlawful for any person, in connection with the offer, sale, or purchase of any security, directly or indirectly to . . . make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.
19. In connection with the offer and sale of a security to Utah resident, Tom Tuckett, the Respondents failed to inform Tuckett of two administrative actions against Sedona Oil and its executive officers. The respondents therefore violated § 61-1-1 of the Act.

COUNT II

Sale of Unregistered Securities under § 61-1-7 of the Act (Sedona Oil & Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell, Ron Meyer and John T. Crumbley)

20. The Division incorporates and re-alleges paragraphs 1 through 19.
21. Section 61-1-7 of the Act states:
- It is unlawful for any person to offer or sell any security in this state unless it is registered under this chapter, the security or transaction is exempted under Section 61-1-14, or the security is a federal covered security for which a notice filing has been made.
22. The securities offered by Respondent John T. Crumbley to Utah resident Tom Tuckett, are not registered for sale in Utah, not federal covered securities for which a notice filing has been made, and they do not appear to qualify for an exemption under the Act.
23. Respondent John T. Crumbley therefore offered and sold unregistered securities to Mr. Tuckett, in violation of § 61-1-7 of the Act.
24. Respondents Sedona Oil & Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell and Ron Meyer had direct or indirect control over the seller, John T. Crumbley, while he engaged in the offer and sale of unregistered securities, and are therefore in violation of § 61-1-7 as well¹.

¹Section 61-1-22 of the Act, which is the section regarding civil liability, provides guidance regarding liability of other controlling entities or individuals associated with the seller of a security. Section 61-1-22(4)(a) provides that “[e]very person who directly or indirectly controls a seller or buyer liable under [Section 61-1-7], every partner, officer, or director of such a seller or buyer, every person occupying a similar status or performing similar functions . . .

COUNT III

Sale by an Unlicensed Agent under § 61-1-3 of the Act (Kenneth Crumbley Jr., Barry Spruiell, Ron Meyer and John T. Crumbley)

25. The Division incorporates and re-alleges paragraphs 1 through 24.
26. Section 61-1-3 of the Act states:
- It is unlawful for any person to transact business in this state as a broker-dealer or agent unless that person is licensed under this chapter.
27. Records of the Utah Division of Securities and the National Association of Securities Dealers' Central Registration Depository reveal that Respondents Kenneth Crumbley Jr., Barry Spruiell, Ron Meyer and John T. Crumbley have never been licensed as a broker-dealer or agent in Utah. Crumbley Jr., Spruiell, Meyer and Crumbley therefore offered and sold securities to Utah resident, Tom Tuckett, in violation of § 61-1-3 of the Act.

COUNT IV

Employing an Unlicensed Agent under § 61-1-3 of the Act (Sedona Oil and Gas Corporation, Kenneth Crumbley, Jr., Barry Spruiell, Ron Meyer)

28. Utah Code Ann. § 61-1-3(2)(a) of the Act states:
- It is unlawful for any broker-dealer or issuer to employ or engage an agent unless the agent is licensed.

who materially aids in the sale or purchase . . . are also liable jointly and severally with and to the same extent as the seller or purchaser.”

29. Records of the Utah Division of Securities and the National Association of Securities Dealers' Central Registration Depository reveal that Respondent John T. Crumbley has never been licensed as a broker-dealer or agent in Utah.
30. Respondents Sedona Oil and Gas Corporation, Kenneth Crumbley Jr., Barry Spruiell and Ron Meyer therefore violated § 61-1-3 of the Act by employing an agent and allowing him to make solicitations and sales in a state where he was not licensed.

ORDER

The Director, pursuant to § 61-1-20 of the Act, hereby orders Respondents to appear at a formal hearing to be conducted in accordance with Utah Code Ann. §§ 63-46b-4 and 63-46b-6 through -10, and held before the Utah Division of Securities. The hearing will occur at a date, time and place agreed upon by the parties after an answer has been filed. If Respondents fail to file an answer and appear at the hearing, an order to cease and desist may be issued and a fine imposed by default against Respondents, as provided by Utah Code Ann. § 63-46b-11. At the hearing, Respondents may show cause, if any they have:

- a. Why Respondents should not be found to have engaged in the violations alleged by the Division;
- b. Why Respondents should not be barred from obtaining a securities license in the future under the provisions of Utah Code Ann. § 61-1-6;

- c. Why Respondents should not be ordered to cease and desist from engaging in any further conduct in violation of Utah Code Ann. §§ 61-1-3(1) and (2), 61-1-7, or any other section of the Act; and
- d. Why Respondents should not be ordered to pay a fine, jointly and severally, of \$20,000 to the Division.


DATED this Aug day of 8th, 2005.



DAVID PREECE
Director, Utah Division of Securities



Approved:



JEFFREY BUCKNER
Assistant Attorney General

Division of Securities
Utah Department of Commerce
160 East 300 South
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Salt Lake City, UT 84114-6760
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FAX: (801) 530-6980

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Respondents.

NOTICE OF AGENCY ACTION

Docket no. SD-05-0033
Docket no. SD-05-0034
Docket no. SD-05-0035
Docket no. SD-05-0036
Docket no. SD-05-0037

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

The purpose of this Notice of Agency Action is to inform you that the Division hereby commences a formal adjudicative proceeding against you as of the date of the mailing of the Order to Show Cause. The authority and procedure by which this proceeding is commenced are provided by Utah Code Ann. §§63-46b-3 and 63-46b-6 through 11. The facts on which this action is based are set forth in the foregoing Order to Show Cause.


Within thirty (30) days of the date of this notice, you are required to file a written response with the Division. The response you file may be helpful in clarifying, refining or narrowing the facts and violations alleged in the Order to Show Cause. After your response is filed, a hearing will be set and a date and time agreed upon by the parties.

If you fail to file a written response, as set forth herein, or fail to appear at the hearing, the Division of Securities will hold you in default, and a fine will be imposed against you in accordance with Utah Code Ann. §64-46b-11, without the necessity of providing you with any further notice.

The presiding officer in this case is David Preece, Director, Division of Securities, 160 East 300 South, P.O. Box 146760, Salt Lake City, UT 84114-6760, telephone (801) 530-6600. The Administrative Law Judge will be J. Steven Eklund, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6648. At such hearing, the Division will be represented by the Utah Attorney General's Office, 160 East 300 South, P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310. At the hearing, you may appear and be heard and present evidence on your behalf.

You may attempt to negotiate a settlement of the matter without filing an answer or proceeding to a hearing. Should you so desire, please contact the Utah Attorney General's Office. Questions regarding the Order to Show Cause and Notice of Agency Action should be directed to Jeff Buckner, Assistant Attorney General, 160 E. 300 South, P.O. Box 140872, Salt Lake City, UT 84114-0872, telephone (801) 366-0310.

DATED this 8th day of Aug, 2005.



DAVID PREECE
Director, Division of Securities
Utah Department of Commerce



Certificate of Mailing

I certify that on the 11th day of August, 2005, I mailed, by certified mail, a true and correct copy of the Order to Show Cause and Notice of Agency Action to:

Sedona Oil & Gas Corp.
5646 Milton, Suite 221
Dallas, TX 75206

Certified Mail # 7004 1160 0004 1730 7047

Kenneth Crumbley Jr.
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Dallas, TX 75206

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Barry Spruiell
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Pamela Radzinski
Executive Secretary